

[ON EMPLOYER LETTERHEAD]

Date:

To: All New Enrollees in The Local Choice Health Benefits Program for Active Employees

Subject: Important Notice from The Local Choice Health Benefits Program About Prescription Drug Coverage and Medicare

This Notice is being provided to all new Enrollees in The Local Choice Health Benefits Program for Active Employees but is directed to any new Enrollee, and new covered dependent of that Enrollee, who is or will become eligible for Medicare. If you or a covered dependent is eligible for Medicare or will become eligible for Medicare during this calendar year, please read this Notice carefully and keep it where you can find it so that you can document your creditable coverage under The Local Choice Health Benefits Program.

This Notice has information about your current prescription drug coverage with The Local Choice Health Benefits Program for active employees and prescription drug coverage available for people with Medicare. It also explains the options that Medicare-eligible individuals have for Medicare prescription drug coverage and can help Medicare-eligible individuals decide whether or not they want to enroll in Medicare Part D coverage. At the end of this Notice is information about where Medicare-eligible individuals can get help to make decisions about prescription drug coverage. You should be aware that:

1. Medicare prescription drug coverage became available in 2006 to everyone with Medicare through Medicare prescription drug plans and Medicare Advantage Plans that offer prescription drug coverage. All Medicare prescription drug plans provide at least a standard level of coverage set by Medicare. Some plans may also offer more coverage for a higher monthly premium.
2. The Local Choice Health Benefits Program has determined that the prescription drug coverage offered by the **Key Advantage Plans**, the **TLC HDHP Plan** and the **Kaiser Permanente HMO** (all plans offered to eligible active employees), on average for all plan participants, is expected to pay out as much as the standard Medicare prescription drug coverage will pay and is considered creditable coverage.

Because your existing coverage under The Local Choice Health Benefits Program is, on average, at least as good as standard Medicare prescription drug coverage, you can keep this coverage and not pay extra if you later decide to enroll in Medicare prescription drug coverage.

Individuals can enroll in a Medicare prescription drug plan when they first become eligible for Medicare and each year from November 15th through December 31st. Beneficiaries leaving coverage based on current active employment (for example, at the time of retirement) may be eligible for a Special Enrollment Period to sign up for a Medicare prescription drug plan.

In order to make the best health plan coverage decision for you and any covered dependents, you should compare your The Local Choice coverage with the coverage and cost of the plans offering Medicare prescription drug coverage in your area (including which drugs are covered on the Medicare plans' formularies).

If you do decide to enroll in a Medicare prescription drug plan and drop your The Local Choice coverage as an active employee (based on the policies and procedures of the Department of Human Resource Management, The Local Choice and applicable law), be aware that you and

your dependents will not be able to return to this coverage except with the occurrence of a consistent qualifying midyear event or at open enrollment. The Local Choice Health Benefits Program does not offer a medical plan to active employees that excludes prescription drug coverage. Consequently, you must either maintain full coverage under the available plans (including prescription drug coverage) or terminate coverage completely. You do not have the option of terminating only the prescription drug benefit under your The Local Choice plan. Please contact your Group Benefits Administrator if you need additional information.

At the time an Enrollee and/or covered dependent becomes eligible for Medicare, he/she/they may keep their The Local Choice plan coverage based on active employment or may terminate coverage under The Local Choice Health Benefits Program based on that event if termination is completed within 31 days of eligibility for Medicare. However, once coverage has been terminated, neither the employee nor the dependent may re-enroll in the program except upon the occurrence of a consistent qualifying midyear event (for example, loss of Medicare coverage) or at open enrollment. An eligible dependent may not enroll unless the employee is enrolled. If an active employee or the covered dependent of an active employee has both The Local Choice coverage and Medicare, except in limited circumstances, The Local Choice plan will pay primary to Medicare.

You should also know that if you drop or lose your coverage with The Local Choice Health Benefits Program and do not enroll in Medicare prescription drug coverage after The Local Choice coverage ends, you may pay more (a penalty) to enroll in Medicare prescription drug coverage later.

If you are eligible for Medicare and you go 63 days or longer without prescription drug coverage that is at least as good as Medicare's prescription drug coverage, your monthly Medicare Part D premium will go up at least 1% per month for every month that you did not have that coverage. For example, if you go nineteen months without coverage, your premium will always be at least 19% higher than what many other people pay. You'll have to pay this higher premium as long as you have Medicare prescription drug coverage. In addition, you may have to wait until the following November to enroll.

For more information about this Notice or your current prescription drug coverage, contact your Group Benefits Administrator.

NOTE: You will receive this Notice annually prior to the Medicare Part D Annual Coordinated Election Period and at any time there is a change in The Local Choice Health Benefits Program's prescription drug coverage. You also may request a copy from your Group Benefits Administrator.

More detailed information about your options under Medicare prescription drug coverage is available in the "*Medicare & You*" handbook. You will get a copy of the handbook in the mail every year from Medicare. You may also be contacted directly by Medicare prescription drug plans. For more information about Medicare prescription drug plans:

- Visit www.medicare.gov, or
- Call your State Health Insurance Assistance Program (see your copy of the *Medicare & You* handbook for their telephone number) for personalized help, or
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

For people with limited income and resources, extra help paying for Medicare prescription drug coverage is available. Information about this extra help is available from the Social Security Administration (SSA) online at www.socialsecurity.gov, or you call them at 1-800-772-1213 (TTY 1-800-325-0778).

Remember: Keep this Notice. If you enroll in one of the new plans approved by Medicare that offer prescription drug coverage, you may be required to provide a copy of this Notice when you join to show that you are not required to pay a higher premium amount.